



Town of Blowing Rock

1036 Main Street ★ Post Office Box 47 ★ Blowing Rock, North Carolina

To: Scott Fogleman, Mayor Lawrence and Members of Town Council

From: Nicole M. Norman, Finance Officer

Subject: Resolution 2015-15

Date: February 9, 2016

Attached please find for your consideration a resolution providing for the issuance of \$4,635,000 General Obligation Public Improvement bonds, series 2015 of the Town of Blowing Rock. Passing of this resolution is necessary prior to the sale of bonds currently scheduled for February 23, 2016. Also attached for information purposes is a copy of our Preliminary Official Statement as well as the Notice of Sale.

Please let us know should you have any questions on the attached resolution or documentation.



Town of Blowing Rock

1036 Main Street ★ Post Office Box 47 ★ Blowing Rock, North Carolina

RESOLUTION No. 2015-15

RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF BLOWING ROCK, NORTH CAROLINA PROVIDING FOR THE ISSUANCE OF \$4,635,000 GENERAL OBLIGATION PUBLIC IMPROVEMENT BONDS, SERIES 2016 OF THE TOWN OF BLOWING ROCK, NORTH CAROLINA

WHEREAS, the Bond Orders hereinafter-described have been adopted, none of the bonds authorized by said Bond Orders have been issued, no notes have been issued in anticipation of the receipts of the sale of any of the Bonds and it is desirable at this time to make provision for the issuance of up to \$4,635,000 of Bonds authorized by said Bond Orders;

WHEREAS, copies of the forms of the following document relating to the transactions described above have been filed with the Town and have been made available to the Town Council of the Town (**the “Town Council”**): the Preliminary Official Statement with respect to the Bonds to be dated on or about February 12, 2016, together with the Official Statement with respect to the Bonds to be dated on or about February 23, 2016 (**collectively, the “Official Statement”**);

NOW, THEREFORE, BE IT RESOLVED by the Town Council of the Town of Blowing Rock, North Carolina (**the “Town”**), as follows:

Section 1. For purposes of this Resolution, the following words will have the meanings ascribed to them below:

“Bond Orders” means the Bond Orders relating to the (i) Water Improvement Project, (ii) Sewer Improvement Project, (iii) Street and Sidewalk Improvement Project and (iv) Parks and Recreation Project, each authorizing a portion of the Bonds, adopted by the Town Council on July 29, 2014 and each approved by the vote of a majority of the voters who voted thereon at a referendum duly called and held on November 4, 2014.

“Bonds” means the Town of Blowing Rock, North Carolina General Obligation Public Improvement Bonds, Series 2016.

“Code” means the Internal Revenue Code of 1986, as amended. Each reference to a section of the Code herein will be deemed to include the United States Treasury Regulations proposed or in effect with respect thereto.

“Federal Securities” means (a) direct obligations of the United States of America for the timely payment of which the full faith and credit of the United States of America is pledged or (b) obligations issued by any agency controlled or supervised by and acting as an instrumentality of the United States of America, the timely payment of the principal of and interest on which is fully guaranteed as full faith and credit obligations of the United States of America, which obligations, in either case, may be certificates representing ownership of United States Treasury bond principal at maturity or coupons for accrued periods of interest, which bonds or coupons are held in the capacity of custodian and independent of the seller of such certificates by a bank or trust company organized and existing under the laws of the United States of America or any of its states.

“Fitch Ratings” means Fitch Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation for any reason no longer performs the functions of a securities rating agency, “Fitch Ratings” will refer to any other nationally recognized securities rating agency other than Moody’s and S&P designated by the Town.

“LGC” means the Local Government Commission of North Carolina.

“Moody’s” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns and, if such corporation for any reason no longer performs the functions of a securities rating agency, “Moody’s” will be deemed to refer to any other nationally recognized rating agency other than S&P and Fitch Ratings designated by the Town.

“Nonarbitrage and Tax Certificate” means the Nonarbitrage and Tax Certificate executed by the Town related to the Bonds.

“Parks and Recreation Project” means one or more capital projects to provide or improve parks and recreation facilities, including without limitation land, athletic fields, parks, playgrounds, recreation centers, shelters, permanent and temporary stands, swimming pools, wading pools, and lighting.

“Projects” means the Parks and Recreation Project, the Sewer Improvement Project, the Street and Sidewalk Improvement Project and the Water Improvement Project.

“S&P” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, its successors and their assigns and, if such corporation for any reason no longer performs the functions of a securities rating agency, “S&P” will be deemed to refer to any other nationally recognized rating agency other than Fitch Ratings and Moody’s designated by the Town.

“Sewer Improvement Project” means one or more capital projects to provide or improve sanitary sewer systems, including without limitation community sewerage facilities for the collection, treatment, and disposal of sewage or septic tank systems and other on-site collection and disposal facilities.

“Street and Sidewalk Improvement Project” means one or more capital projects to provide or improve streets and sidewalks, including without limitation bridges and alleys; paving, grading, resurfacing, and widening streets; sidewalks, curbs and gutters, culverts and drains; traffic controls, signals, and markers; lighting; and grade crossings and the elimination thereof and grade separations.

“Water Improvement Project” means one or more capital projects to provide or improve water systems, including without limitation facilities for the supply, storage, treatment and distribution of water.

Section 2. The Town shall issue not to exceed \$4,635,000 in total aggregate principal amount of its Bonds. The Town’s full faith and credit are irrevocably pledged for the payment of the principal of and interest on the Bonds. Unless other funds are lawfully available and appropriated for timely payment of the Bonds, the Council will levy and collect an annual ad valorem tax, without restriction as to rate or amount, on all locally taxable property in the Town sufficient to pay the principal of and interest on the Bonds as the same become due. The provisions of this resolution shall constitute a contract between the Town and the holders of the Bonds for so long as any of the Bonds and interest thereon are outstanding.

Section 3. The Bonds shall be dated as of their date of issuance and pay interest semiannually on March 1 and September 1, beginning September 1, 2016. The Bonds are being issued to provide funds (a) to finance the capital costs of the Projects and (b) pay costs of issuing the Bonds, all pursuant to and in accordance with the Bond Orders.

Section 4. The Town Council has ascertained and hereby determines that the average period of usefulness of the capital projects being financed by the proceeds of the Bonds is not less than 20 years computed from the date of issuance of the Bonds.

Section 5. The Bonds shall be stated to mature (subject to adjustment as hereinafter set forth) annually, on March 1 in the following years and in the following amounts, subject to change as stated herein: 2017 (\$235,000), 2018 (\$235,000), 2019 (\$235,000), 2020 (\$235,000), 2021 (\$235,000), 2022 (\$235,000), 2023 (\$235,000), 2024 (\$235,000), 2025 (\$235,000), 2026 (\$235,000), 2027 (\$235,000), 2028 (\$235,000), 2029 (\$235,000), 2030 (\$235,000), 2031 (\$235,000), 2032 (\$235,000), 2033 (\$235,000), 2034 (\$235,000), 2035 (\$235,000), 2036 (\$170,000). The Bonds shall bear interest at a rate or rates to be determined by the LGC at the time the Bonds are sold (provided, however that the true interest cost of the Bonds shall not

exceed 4.25% per annum), which interest to the respective maturities thereof shall be payable as set forth above until payment of such principal sum. Notwithstanding the foregoing, the Town reserves the right to increase or decrease the aggregate principal amount of the Bonds by an amount not to exceed \$200,000 following the opening of bids for the purchase of the Bonds and, in the event of such increase or decrease, the principal amount of any maturity of the Bonds will be increased or decreased by an amount not to exceed \$50,000 per maturity to be determined by the Finance Officer of the Town, provided that no such annual installment of principal shall be more than four times as great in amount as the smallest prior installment of principal, and further provided that the first such installment shall be not more than 3 years after the date of the Bonds and the last such annual installment shall be not later than the end of the unexpired period of usefulness of the Projects. The Finance Officer of the Town is hereby authorized and directed to make any such adjustments, if appropriate, on behalf of the Town. Principal, premium, if any, and interest on the Bonds will be payable in lawful money of the United States of America.

Section 6. The Bonds are to be numbered from “R-1” consecutively and upward and shall bear interest from their date at a rate or rates which will be hereafter determined on the sale thereof computed on the basis of a 360-day year of twelve 30-day months.

Section 7. The Bonds are to be registered as to principal and interest, and the Finance Officer of the Town is hereby appointed Registrar for the bonds and directed to maintain the registration records with respect thereto. The Bonds shall bear the original or facsimile signatures of the Mayor or Town Manager of the Town and the Town Clerk of the Town. An original or facsimile of the seal of the Town is to be imprinted on each of the Bonds.

Section 8. The Bonds will initially be issued by means of a book-entry system with no physical distribution of bond certificates made to the public. One bond certificate for each maturity of will be issued to The Depository Trust Company, New York, New York (“DTC”), and immobilized in its custody. A book-entry system will be employed, evidencing ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof, with transfers of beneficial ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC. Interest on the Bonds will be payable to DTC or its nominee as registered owner of the Bonds in immediately available funds. The principal of and interest on the Bonds will be payable to owners of Bonds shown on the records of DTC at the close of business on the 15th day of the month preceding an interest payment date or a bond payment date. The Town will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

If (a) DTC determines not to continue to act as securities depository for the Bonds or (b) the Finance Officer for the Town determines that the continuation of the book-entry system of evidence and transfer of ownership of the Bonds would adversely affect the interests of the

beneficial owners of the Bonds, the Town will discontinue the book-entry system with DTC. If the Town fails to identify another qualified securities depository to replace DTC, the Town will authenticate and deliver replacement bonds in accordance with DTC's rules and procedures.

Section 9. The Bonds maturing prior to March 1, 2026 will not be subject to redemption prior to maturity. The Bonds maturing on March 1, 2027 and thereafter will be redeemable, at the option of the Town, from any moneys that may be made available for such purpose, either in whole or in part on any date not earlier than March 1, 2026, at the prices as follows: a redemption price of 100% of such principal amount, plus interest accrued to the date fixed for redemption.

If less than all of the Bonds stated to mature on different dates shall be called for redemption, the particular Bonds or portions of Bonds to be redeemed shall be called in the inverse order of their maturities. If less than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portions of Bonds of such maturity to be redeemed shall be selected by lot in such manner as the Town in its discretion may determine; provided, however, that the portion of any Bond to be redeemed shall be in the principal amount of \$5,000 or some multiple thereof and that, in selecting Bonds for redemption, each Bond shall be considered as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by \$5,000. So long as a book-entry system with DTC is used for determining beneficial ownership of Bonds, if less than all of the Bonds within a maturity are to be redeemed, DTC and its participants shall determine in accordance with its own procedures which of the Bonds within a maturity are to be redeemed.

Notice of redemption shall be given by electronic transmission, overnight mail, delivered by hand or mailed by first class mail, postage prepaid, in accordance with DTC procedures, to DTC or its nominee as the registered owner of the Bonds. Such notice shall be mailed or otherwise provided not more than 60 days nor less than 30 days prior to the date fixed for redemption. The Town will not be responsible for mailing notices of redemption to anyone other than DTC or its nominees. Notwithstanding the foregoing, the Town will also mail or transmit by facsimile or in electronic format a copy of the notice of redemption, within the time set forth above, to the LGC and to the Municipal Securities Rulemaking Board through the EMMA system.

Section 10. The Bonds and the provisions for the registration of the Bonds and for the approval of the Bonds by the Secretary of the LGC are to be in substantially the form set forth in Appendix A.

Section 11. The Town covenants that it will not take or permit, or omit to take or cause to be taken, any action that would adversely affect the exclusion from gross income of the recipient thereof for federal income tax purposes of the interest on the Bonds, and, if it should take or permit, or omit to take or cause to be taken, any such action, the Town will take or cause to be taken all lawful actions within its power necessary to rescind or correct such actions or omissions promptly upon having knowledge thereof. The Town acknowledges that the continued exclusion of interest on the Bonds from the owner's gross income for federal income tax purposes depends, in part, on compliance with the arbitrage limitations imposed by Section

148 of the Code. The Town covenants that it will comply with all the requirements of Section 148 of the Code, including the rebate requirements, and that it will not permit at any time any of the proceeds of the Bonds or other funds under its control be used, directly or indirectly, to acquire any asset or obligation, the acquisition of which would cause the Bonds to be "arbitrage bonds" for purposes of Section 148 of the Code. The Town Manager and Finance Officer are each hereby authorized to execute a Nonarbitrage and Tax Certificate with respect to the Bonds.

The Town Council, on behalf of the Town, certifies by this resolution that it does not reasonably anticipate the issuance by it or its subordinate entities of more than \$10,000,000 in "qualified tax-exempt obligations" (excluding private activity bonds) during the calendar year 2016 and will not designate (excluding any bonds deemed designated pursuant to the provisions of § 265(b)(3)(D)(ii) of the Code), or permit the designation by any of its subordinate entities of any bonds during the calendar year 2016 which would cause the \$10,000,000 limitation of Section 265(b)(3)(D) of the Code to be violated, and hereby designates the Bonds in the maximum principal amount of \$4,635,000 as "qualified tax-exempt obligations" for the purpose of § 265(b)(3) of the Code.

Section 12. The sale proceeds of the Bonds shall be utilized by the Town to pay costs of the Projects and costs of issuance of the Bonds, and invested in accordance with the requirements of the Local Government Budget and Fiscal Control Act, Article 3 of Chapter 159, General Statutes of North Carolina, as amended. The Finance Officer is hereby directed to create and establish a special fund to be designated "Town of Blowing Rock, North Carolina General Obligation Bonds, Series 2016 Project Fund" (**the "Project Fund"**) and shall establish separate accounts within the Project Fund to track the expenditure of proceeds of the Bonds related to each of the Projects. The Finance Officer shall deposit net proceeds from the sale of the Bonds in the Project Fund. The Finance Officer shall keep and maintain adequate records pertaining to the proceeds of the Bonds and all disbursements thereof so as to satisfy the requirements of the laws of the State of North Carolina and to assure that the Town maintains its covenants with respect to the exclusion of the interest on the Bonds from gross income for purposes of federal income taxation.

Section 13. The LGC is hereby requested to sell the Bonds through a competitive sale to the bidder whose bid results in the lowest interest cost to the Town, determined on the basis of the net interest cost method.

Section 14. The Mayor, the Town Manager, the Finance Officer and the Town Clerk of the Town are hereby authorized and directed to cause the Bonds to be prepared and, when they shall have been duly sold by the LGC, to execute the Bonds and to turn the Bonds over to the Registrar for delivery through the facilities of DTC to the purchaser or purchasers to whom they may be sold by the LGC.

Section 15. The form and content of the Notice of Sale and the Preliminary Official Statement together with the final Official Statement related to the Bonds are in all respects authorized, approved and confirmed, and the Mayor, the Town Manager, the Finance Officer and the Town Clerk of the Town are authorized, empowered and directed to execute and deliver the Official Statement in substantially the form and content presented to the Town Council, but with such changes, modifications, additions or deletions therein as shall to the Mayor, Town Manager or the Finance Officer of the Town deem necessary, desirable or appropriate, their execution thereof to constitute conclusive evidence of the approval of the Town Council of any and all changes, modifications, additions or deletions therein from the form and content of the Official Statement presented to the Town Council. The actions of Town employees and representatives, in collaboration with the LGC to prepare the text of the Official Statement are ratified, approved and confirmed. The Council approves the LGC's distribution of the Official Statement to prospective purchasers of the Bonds. The Council acknowledges that it is the Town's responsibility to ensure that the Official Statement, in its final form, neither contains an untrue statement of a material fact nor omits to state a material fact required to be included therein for the purpose for which such Official Statement is to be used or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. By the adoption of this resolution, the Council members approve the Official Statement as materially correct and complete, and further acknowledge and accept their own responsibility for causing the Town to fulfill these responsibilities for the Official Statement.

Section 16. The Mayor, the Town Manager, the Finance Officer and the Town Clerk of the Town are authorized and directed to execute and deliver for and on behalf of the Town any and all additional certificates, documents, opinions or other papers and perform all other acts as may be required by the documents contemplated hereinabove or as may be deemed necessary or appropriate in order to implement and carry out the intent and purposes of this Resolution. All actions of the Mayor, the Town Manager, the Finance Officer, the Town Clerk, the Town Attorney and their respective designees, whether previously or hereinafter taken, in effectuating the proposed financing are hereby ratified, approved and authorized.

Section 17. The Town agrees, in accordance with Rule 15c2-12 (**the "Rule"**) promulgated by the Securities and Exchange Commission (**the "SEC"**) and for the benefit of the Registered Owners and beneficial owners of the Bonds, as follows:

- (1) by not later than seven months after the end of each Fiscal Year, beginning with the Fiscal Year ending June 30, 2016, to the Municipal Securities Rulemaking Board (**the "MSRB"**) in an electronic format as prescribed by the MSRB, the audited financial statements of the Town for such Fiscal Year, if available, prepared in accordance with Section 159-34 of the General Statutes of North Carolina, as it may be amended from time to time, or any successor statute,

or if such audited financial statements are not then available, unaudited financial statements of the Town for such Fiscal Year to be replaced subsequently by audited financial statements of the Town to be delivered within 15 days after such audited financial statements become available for distribution;

(2) by not later than seven months after the end of each Fiscal Year, beginning with the Fiscal Year ending June 30, 2016, to the MSRB, (a) the financial and statistical data as of a date not earlier than the end of the preceding Fiscal Year for the type of information included under the captions **“THE TOWN--Debt Information”** and **“--Tax Information”** (excluding information on overlapping units) in the Official Statement and (b) the combined budget of the Town for the current Fiscal Year to the extent such items are not included in the audited financial statements referred to in clause (1) above;

(3) in a timely manner not in excess of 10 business days after the occurrence of the event, to the MSRB, notice of any of the following events with respect to the Bonds:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on the debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of any credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
- (g) modification of the rights of the beneficial owners of the Bonds, if material;
- (h) call of any of the Bonds, if material, and tender offers;

- (i) defeasance of any of the Bonds;
 - (j) release, substitution or sale of any property securing repayment of the Bonds, if material;
 - (k) rating changes;
 - (l) bankruptcy, insolvency, receivership or similar event of the Town;
 - (m) the consummation of a merger, consolidation, or acquisition involving the Town or the sale of all or substantially all of the assets of the Town, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to such actions, other than pursuant to its terms, if material; and
 - (n) appointment of a successor or additional trustee or the change of name of a trustee, if material; and
- (4) in a timely manner to the MSRB, notice of the failure by the Town to provide the required annual financial information described in (1) and (2) above on or before the date specified.

The Town agrees that its undertaking under this Section is intended to be for the benefit of the registered owners and the beneficial owners of the Bonds and is enforceable by any of the registered owners and the beneficial owners of the Bonds, including an action for specific performance of the Town's obligations under this Section, but a failure to comply will not be an event of default and will not result in acceleration of the payment of the Bonds. An action must be instituted, had and maintained in the manner provided in this Section for the benefit of all of the registered owners and beneficial owners of the Bonds.

All documents provided to the MSRB as described in this Section shall be provided in an electronic format as prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB. The Town may discharge its undertaking described above by providing such information in a manner the SEC subsequently authorizes in lieu of the manner described above.

The Town may modify from time to time, consistent with the Rule, the information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the Town, but:

(1) any such modification may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the Town;

(2) the information to be provided, as modified, would have complied with the requirements of the Rule as of the date of the Official Statement, after taking into account any amendments or interpretations of the Rule as well as any changes in circumstances; and

(3) any such modification does not materially impair the interest of the registered owners or the beneficial owners, as determined by parties unaffiliated with the Town (such as nationally recognized bond counsel) or by the approving vote of the registered owners of a majority in principal amount of the Bonds.

Any annual financial information containing modified operating data or financial information will explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

The provisions of this Section terminate on payment, or provision having been made for payment in a manner consistent with the Rule, in full of the principal of and interest on the Bonds.

Section 18. Those portions of this Resolution other than Section 17 may be amended or supplemented, from time to time, without the consent of the owners of the Bonds if in the opinion of nationally recognized bond counsel, such amendment or supplement would not adversely affect the interests of the owners of the Bonds and would not cause the interest on the Bonds to be included in the gross income of a recipient thereof for federal income tax purposes. This Resolution may be amended or supplemented with the consent of the owners of a majority in aggregate principal amount of the outstanding Bonds, exclusive of Bonds, if any, owned by the Town, but a modification or amendment (1) may not, without the express consent of any owner of Bonds, reduce the principal amount of any Bond, reduce the interest rate payable on it, extend its maturity or the times for paying interest, change the monetary medium in which principal and interest is payable, or reduce the percentage of consent required for amendment or modification and (2) as to an amendment to Section 17, must be limited as described therein.

Any act done pursuant to a modification or amendment consented to by the owners of the Bonds is binding on all owners of the Bonds and will not be deemed an infringement of any of the provisions of this Resolution, whatever the character of the act may be, and may be done and performed as fully and freely as if expressly permitted by the terms of this Resolution, and after consent has been given, no owner of a Bond has any right or interest to object to the action, to question its propriety or to enjoin or restrain the Town from taking any action pursuant to a modification or amendment.

If the Town proposes an amendment or supplemental resolution to this Resolution requiring the consent of the owners of the Bonds, the Registrar shall, on being satisfactorily indemnified with respect to expenses, cause notice of the proposed amendment to be sent to each owner of the Bonds then outstanding by first-class mail, postage prepaid, to the address of such owner as it appears on the registration books; but the failure to receive such notice by mailing by any owner, or any defect in the mailing thereof, will not affect the validity of any proceedings pursuant hereto. Such notice shall briefly set forth the nature of the proposed amendment and shall state that copies thereof are on file at the principal office of the Registrar for inspection by all owners of the Bonds. If, within 60 days or such longer period as shall be prescribed by the Town following the giving of such notice, the owners of a majority in aggregate principal amount of Bonds then outstanding have consented to the proposed amendment, the amendment will be effective as of the date stated in the notice.

Section 19. Nothing in this Resolution shall preclude (a) the payment of the Bonds from the proceeds of refunding bonds or (b) the payment of the Bonds from any legally available funds.

If the Town causes to be paid, or has made provisions to pay, on maturity or on redemption before maturity, to the owners of the Bonds the principal of the Bonds (including interest to become due thereon) and, premium, if any, on the Bonds, through setting aside trust funds or setting apart in a reserve fund or special trust account created pursuant to this Resolution or otherwise, or through the irrevocable segregation for that purpose in some sinking fund or other fund or trust account with an escrow agent or otherwise, moneys sufficient therefor, including, but not limited to, interest earned or to be earned on Federal Securities, the Town shall so notify Moody's and S&P, and then the such Bonds shall be considered to have been discharged and satisfied, and the principal of the Bonds (including premium, if any, and interest thereon) shall no longer be deemed to be outstanding and unpaid; provided, however, that nothing in this Resolution requires the deposit of more than such Federal Securities as may be sufficient, taking into account both the principal amount of such Federal Securities and the interest to become due thereon, to implement any such defeasance.

If such a defeasance occurs and after the Town receives an opinion of a nationally recognized accounting firm that the segregated moneys or Federal Securities together with interest earnings thereon are sufficient to effect a defeasance, the Town shall execute and deliver all such instruments as may be necessary to effect such a defeasance and desirable to evidence such release, discharge and satisfaction. Provisions shall be made by the Town, for the mailing of a notice to the owners of the Bonds that such moneys are so available for such payment.

Section 20. If any one or more of the agreements or provisions herein contained is held contrary to any express provision of law or contrary to the policy of express law, though not

expressly prohibited, or against public policy, or for any reason whatsoever is held invalid, then such covenants, agreements or provisions are null and void and separable from the remaining agreements and provisions and will in no way affect the validity of any of the other agreements and provisions hereof or of the Bonds authorized hereunder.

Section 21. The selection and retaining of First Tryon Advisors as financial advisor and Sands Anderson PC as bond counsel to the Town is hereby confirmed and ratified.

Section 22. All resolutions or parts thereof of the Town Council in conflict with the provisions herein contained are, to the extent of such conflict, hereby superseded and repealed.

Section 23. This Resolution is effective on the date of its adoption.

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APPENDIX A

Form of Bond

No. R-

\$

UNITED STATES OF AMERICA

STATE OF NORTH CAROLINA

TOWN OF BLOWING ROCK

INTEREST

<u>RATE</u>	<u>MATURITY DATE</u>	<u>DATED DATE</u>	<u>CUSIP</u>
	MARCH 1, _____	_____, 2016	

REGISTERED OWNER: CEDE & Co.

PRINCIPAL SUM: DOLLARS

GENERAL OBLIGATION PUBLIC IMPROVEMENT BOND, SERIES 2016

THE TOWN OF BLOWING ROCK, NORTH CAROLINA (the "Town") acknowledges itself indebted and for value received hereby promises to pay to the Registered Owner named above, on the Maturity Date specified above, upon surrender hereof, the Principal Sum shown above and to pay to the Registered Owner hereof interest thereon from the date of this Bond until it shall mature at the Interest Rate per annum specified above, payable on September 1, 2016 and semiannually thereafter on March 1 and September 1 of each year. Principal of and interest on this Bond are payable in immediately available funds to The Depository Trust Company ("**DTC**")

or its nominee as registered owner of the Bonds and is payable to the owner of the Bonds shown on the records of DTC at the close of business on the 15th day of the month preceding an interest payment date or a bond payment date. The Town is not responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

This Bond is one of an issue of the Town's \$4,635,000 General Obligation Public Improvement Bonds, Series 2016 (**the "Bonds"**), of like date and tenor, except as to number, denomination, rate of interest and maturity. The Bonds are issued in accordance with the Registered Public Obligations Act, Chapter 159E of the General Statutes of North Carolina, and pursuant to The Local Government Finance Act, bond orders adopted by the Town Council of the Town on July 29, 2014, each approved by the vote of a majority of the voters who voted thereon at a referendum duly called and held on November 4, 2014, and a resolution adopted by the Town Council of the Town on February 9, 2016.

The Town's full faith and credit are pledged for the payment of principal of and interest on this Bond.

The Bonds maturing prior to March 1, 2026 will not be subject to redemption prior to maturity. The Bonds maturing on March 1, 2027 and thereafter will be redeemable, at the option of the Town, from any moneys that may be made available for such purpose, either in whole or in part on any date not earlier than March 1, 2026, at the prices as follows: a redemption price of 100% of such principal amount, plus interest accrued to the date fixed for redemption.

It is hereby certified and recited that all conditions, acts and things required by the Constitution or statutes of the State of North Carolina to exist, be performed or happen precedent to or in the issuance of this Bond, exist, have been performed and have happened, and that the amount of this Bond, together with all other indebtedness of the Town, is within every debt and other limit prescribed by said Constitution or statutes. The faith and credit of the Town are hereby pledged to the punctual payment of the principal of and interest on this Bond in accordance with its terms.

This Bond is not valid or obligatory for any purpose until the certification hereon has been signed by an authorized representative of the Local Government Commission.

IN WITNESS WHEREOF, the Town has caused this Bond to bear the original or facsimile of the signatures of the Mayor of the Town and the Town Clerk of the Town and an original or facsimile of the seal of the Town to be imprinted hereon and this Bond to be dated as of _____, 2016.

(SEAL)

Town Clerk

Mayor

Date of Execution: _____, 2016

The issue hereof has been approved under the provisions of The Local Government Bond Act.

Secretary of the Local Government Commission

FORM OF ASSIGNMENT

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

(Please print or typewrite Name and Address,
including Zip Code, and Federal Taxpayer Identification or
Social Security Number of Assignee)

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints

Attorney to register the transfer of the within Bond on the books kept for registration thereof,
with full power of substitution in the premises.

Dated: _____

Signature guaranteed by:

NOTICE: Signature must be guaranteed by a
participant of the Securities Transfer Agent

Medallion Program (“*STAMP*”) or similar program.

NOTICE: The signature to this assignment must correspond with the name as it appears on the face of the within Bond in every particular, without alteration, enlargement or any change whatever.

TRANSFER FEE MAY BE REQUIRED

* * * * *

The undersigned Town Clerk of the Town of Blowing Rock, North Carolina, DOES HEREBY CERTIFY that the foregoing has been carefully copied from the actually recorded minutes of said Town Council at a meeting held on February 9, 2016, and is a true copy of so much of said minutes as relates in any way to the adoption of the resolution set forth above. A quorum was present and acting throughout such meeting.

I further certify that due notice of such meeting was provided as required by North Carolina General Statutes Section 143-318.12.

WITNESS my signature and the seal of the Town of Blowing Rock, North Carolina, this ____ day of _____, 2016.

[SEAL]

Town Clerk

Town of Blowing Rock, North Carolina

Notice of Sale and Bid Form

Note:

- **Bonds are to be awarded on a True Interest Cost (TIC) basis as described herein.**
- **No bid for fewer than all of the bonds offered or for less than 100% of the aggregate principal amount of the bonds will be entertained.**
- **The Town has designated the bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code.**

**Town of Blowing Rock,
North Carolina**

**\$4,635,000
General Obligation Refunding Bonds
Series 2016**

*Sealed and Electronic Bids Will Be Received Until 11:00 A.M., North Carolina Time,
February 23, 2016*

NOTICE OF SALE
TOWN OF BLOWING ROCK, NORTH CAROLINA
\$4,635,000
GENERAL OBLIGATION BONDS, SERIES 2016

Sealed and electronic bids (as described below) will be received until 11:00 A.M., North Carolina Time, February 23, 2016, by the undersigned at its office at 3200 Atlantic Avenue, Longleaf Building, Raleigh, North Carolina 27604, such bids to be opened in public at said time and place on said day, for the purchase of \$4,635,000 General Obligation Bonds, Series 2016 of the Town of Blowing Rock, North Carolina (the "Town"), dated their date of delivery, and maturing (subject to the right of prior redemption) annually, March 1, \$235,000 2017 to 2035, inclusive and \$170,000 2036. There will be no auction.

Proposals may be delivered by hand, by mail or electronically. Electronic proposals must be submitted via BiDCOMP/PARITY, but no proposal shall be considered which is not actually received by the Local Government Commission (the "Commission") at the place and on or prior to the date and time specified above for submission of bids. The Commission shall not be responsible for any failure, misdirection or error in the means of transmission selected by any firm submitting a proposal.

The Town reserves the right to change, cancel or reschedule, from time to time, the date or time established for the receipt of bids and will undertake to notify registered prospective bidders via notification published on BiDCOMP/PARITY, or by other means as necessary. The Town may change the scheduled delivery date for the Bonds by notice given in the same manner as that set forth for a change in the date for the receipt of bids.

To the extent any instructions or directions set forth in BiDCOMP/PARITY conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about BiDCOMP/PARITY, potential purchasers may contact BiDCOMP/PARITY at (212) 849-5021. Each prospective purchaser is solely responsible for making necessary arrangements to access BiDCOMP/PARITY for purposes of submitting its proposal in a timely manner and in compliance with this Notice of Sale. The terms of this Notice of Sale and the sale of the bonds shall be governed by North Carolina law.

The Commission does not have a registration process for prospective purchasers. Prospective purchasers who intend to submit their proposal by BiDCOMP/PARITY must register and be contracted customers of i-Deal LLC's BiDCOMP competitive bidding system before the sale. By submitting a bid for the bonds, the prospective purchaser represents and warrants to the Commission that such proposal is submitted for and on behalf of the prospective purchaser by an officer or agent who is duly authorized to bind the prospective purchaser to a legal, valid and enforceable contract for the purchase of the bonds. **Neither the Commission nor the Town have reviewed or verified the accuracy or completeness of the information contained in BiDCOMP/PARITY and assume no responsibility for the accuracy or completeness of such information.**

The bonds will be issued as fully registered bonds in a book-entry only system under which The Depository Trust Company, New York, New York ("DTC") will act as securities depository for the bonds as fully described in the Preliminary Official Statement described below. Purchases and transfers of the bonds may be made only in authorized denominations of \$5,000 and in accordance with the practices and procedures of DTC. Interest on the bonds will be payable on September 1, 2016 and semiannually thereafter on each March 1 and September 1, and the principal of the bonds will be payable at maturity to DTC or its nominee, as registered owner of the bonds.

The bonds will be general obligations of the Town, for the payment of the principal of and interest on which all the taxable real and tangible personal property within the Town will be subject to the levy of an ad valorem tax, without limitation as to rate or amount.

Bidders are requested to name the interest rate or rates, in multiples of 1/8 or 1/20 of 1%, and each bidder must specify in its bid the amount and the maturities of the bonds of each rate. Any number of interest rates may be named, provided the difference between the lowest and highest rates named in the bid shall not exceed 3%. All bonds maturing on the same date must bear interest at the same rate, and the interest rate on any bond shall be the same throughout its life. No bid for less than all the bonds offered or for less than 100% of the aggregate principal amount of the bonds will be entertained. The bonds will be awarded to the bidder offering to purchase the bonds at the lowest interest cost to the Town, such cost to be determined in accordance with the true interest cost (TIC) method by doubling the semiannual interest rate, compounded semiannually, necessary to dis-

count the debt service payments from the interest payment dates to the proposed delivery date (March 15, 2016), and equal to the price bid.

Each bid delivered by hand or mail must be submitted on a form to be furnished with additional information by the undersigned and must be enclosed in a sealed envelope marked "Bid for Bonds (Town of Blowing Rock Bonds, Series 2016)." A good faith deposit (the "Deposit") in the amount of **\$92,700** will be required for each bid. The Deposit may be submitted in the form of an official bank check, a cashier's check or a certified check upon an incorporated bank or trust company payable unconditionally to the order of the State Treasurer of North Carolina accompanying the bid. Alternatively, the successful bidder's Deposit may be in the form of a wire transfer sent by the successful bidder upon initial notification of the award of the bonds. Award or rejection of bids will be made on the date above stated for receipt of bids, and any checks of unsuccessful bidders will be returned immediately. If the Deposit of the successful bidder is provided by check, the check of the successful bidder will be cashed by the State Treasurer. If the bonds are awarded to a bidder whose Deposit is by wire transfer, the successful bidder must submit its Deposit to the State Treasurer not later than 2:00 P.M. North Carolina Time on the date of the award of the bonds, to the bank account instructed to the successful bidder by the Commission during the initial notification of the award. If the Deposit is not received by that time, the Commission will reject its award to the initial successful bidder and will contact the next lowest bidder and offer said bidder the opportunity to become the successful bidder, on the terms as outlined in said bidder's bid, so long as a wire transfer of the Deposit is submitted by said bidder within two hours of the time offered. The Commission will not award the bonds to the successful bidder absent receipt of the Deposit prior to awarding the bonds. The Deposit of the successful bidder will be invested solely for the benefit of the County, and no interest on the Deposit will accrue to the successful bidder. At closing, the principal amount of the Deposit will be applied, without interest, as partial payment for the bonds. In the event that the successful bidder fails to comply with the terms of its bid, the Deposit and any interest earnings will be retained as and for full liquidated damages. If the Town fails to deliver the bonds, then the Deposit and any interest earnings will be remitted to the successful bidder as and for full liquidated damages.

The CUSIP Service Bureau will be requested to assign CUSIP identification numbers to the bonds. Assignment of CUSIP identification numbers is solely within the discretion of the CUSIP Service Bureau, and neither the failure to print such number on any bond nor any error with respect thereto shall constitute cause for failure or refusal by the successful bidder to accept delivery of or pay for the bonds in accordance with the terms of its bid. All expenses in relation to the printing of CUSIP numbers on the bonds and the CUSIP Service Bureau charge for the assignment of such numbers shall be paid for by the Town.

The successful bidder will be required to furnish prior to the delivery of the bonds a certificate substantially in the form attached to the Notice of Sale and Bid Form relating to the bonds and acceptable to Bond Counsel as to the "issue price" of the bonds within the meaning of Section 1273 of the Internal Revenue Code of 1986, as amended (the "Code").

The Town Council of the Town has adopted a resolution undertaking, for the benefit of the beneficial owners of the bonds, to provide the information described under the heading "Continuing Disclosure" in the Preliminary Official Statement relating to the bonds in the manner provided therein.

The bonds will be delivered on or about **March 15, 2016**, against payment therefor in federal reserve funds, at DTC.

The approving opinion of Sands Anderson PC, Raleigh, North Carolina, Bond Counsel, the proposed form of which appears in the Official Statement relating to the bonds, will be furnished without cost to the purchaser. There will also be furnished the usual closing papers.

The Town has designated the bonds as "qualified tax-exempt obligations" under Section 265(b)(3) of the Code.

The right to reject all bids and to waive any irregularities or informalities is reserved.

Copies of the Preliminary Official Statement, including the Notice of Sale and Bid Form relating to the bonds, may be obtained from the Local Government Commission, 4300 Atlantic Avenue, Longleaf Building, Raleigh, North Carolina 27604 (919-814-3400).

The Preliminary Official Statement is deemed to be a final official statement within the meaning of Rule 15c2-12 of the Securities and Exchange Commission, except for the omission of certain pricing and other information to be made available by the successful bidder to the Commission for inclusion in a final Official Statement for the bonds (the "Final Official Statement"). By the submission of a bid for the bonds, the successful bidder contracts for the receipt of up to five hundred (500) copies of the Final Official Statement which will be delivered by the Commission to the successful bidder by March 3, 2016. In order to complete the Final Official Statement the successful bidder must furnish on behalf of the underwriters of the bonds the following information to the Commission by facsimile transmission (919-855-5812) or overnight delivery received by the Commission within 24 hours after the receipt of bids for the bonds:

- a. Initial offering prices (expressed as a price or yield per maturity).
- b. Selling Compensation (aggregate total anticipated compensation to the underwriters expressed in dollars).
- c. The identity of the underwriters if the successful bidder is a part of a group or syndicate.
- d. Any other material information necessary for the Final Official Statement but not known to the Town or the Commission (such as the bidder's purchase of credit enhancement).
- e. The successful bidder must provide the initial public offering prices, as the Town will not include in the Official Statement an "NRO" ("not reoffered") designation to any maturity of the bonds.

Concurrently with the delivery of the bonds, the Mayor, the Town Manager and the Finance Officer of the Town will deliver to the purchaser of the bonds a certificate stating that, to the best of their knowledge, the Preliminary Official Statement did not, as of its date and as of the sale date, and the Final Official Statement does not, as of the date of delivery of the bonds, contain an untrue statement of a material fact or omit to state a material fact required to be included therein for the purpose for which the Preliminary Official Statement or the Final Official Statement is to be used or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, provided such certificate shall not include consideration of information supplied by, or which should have been supplied by, the successful bidder for the Bonds for inclusion in the Final Official Statement.

In addition, concurrently with the delivery of the bonds, the Secretary of the Commission will deliver to the purchaser of the bonds a certificate stating that nothing has come to his attention which would lead him to believe that the Preliminary Official Statement, as of its date and as of the date of sale, and the Final Official Statement, as of the date of delivery of the bonds, contained or contains an untrue statement of a material fact or omitted or omits to state a material fact required to be included therein for the purpose for which the Preliminary Official Statement or the Final Official Statement is to be used or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, provided such certificate shall not include consideration of information supplied by, or which should have been supplied by, the successful bidder for the bonds for inclusion in the Final Official Statement.

**LOCAL GOVERNMENT COMMISSION
Raleigh, North Carolina**

Greg C. Gaskins
Secretary of the Commission

CERTIFICATE AS TO ISSUE PRICE

This certificate is furnished by [name of firm], the book-running senior manager of the underwriters (the "Underwriters") of the \$_____ General Obligation Bonds, Series 2016 (the "Bonds") of the Town of Blowing Rock, North Carolina, dated as of their date of delivery, to establish the "issue price" of the Bonds within the meaning of Section 1273 of the Internal Revenue Code of 1986, as amended.

WE HEREBY CERTIFY as follows:

1. The Underwriters have made a bona fide offering of and reasonably expected to sell all the bonds to the public (excluding bond houses, brokers and similar persons or organizations acting in the capacity of underwriters or wholesalers) at not in excess of the initial public offering prices (expressed as a percentage of principal amount and exclusive of accrued interest) set forth below:

<u>Year of Maturity</u>	<u>Principal Amount Maturing</u>	<u>Initial Public Offering Price</u>	<u>Year of Maturity</u>	<u>Principal Amount Maturing</u>	<u>Initial Public Offering Price</u>
2017	\$	_____ %	2027	\$	_____ %
2018		_____ %	2028		_____ %
2019		_____ %	2029		_____ %
2020		_____ %	2030		_____ %
2021		_____ %	2031		_____ %
2022		_____ %	2032		_____ %
2023		_____ %	2033		_____ %
2024		_____ %	2034		_____ %
2025		_____ %	2035		_____ %
2026		_____ %	2036		_____ %
2027		_____ %			

2. The underwriters or other bond houses and brokers first sold at least 10% of the aggregate face amount of each maturity of the bonds to the public (excluding bond houses, brokers and similar persons or organizations acting in the capacity of underwriters or wholesalers) at prices equal to or less than their respective initial public offering prices.
- [2. The underwriters or other bond houses and brokers first sold at least 10% of the aggregate face amount of some, but not all, of the maturities of the bonds to the public (excluding bond houses, brokers and similar persons or organizations acting in the capacity of underwriters or wholesalers) at prices equal to or less than their respective initial public offering prices. As to the balance of the maturities, the underwriters have not, to the best of our knowledge, sold more than 10% of the bonds of any such maturity to the public (excluding bond houses, brokers and similar persons or organizations acting in the capacity of underwriters or wholesalers) at prices in excess of their respective initial public offering prices, and the current market prices thereof are not in excess of their respective initial public offering prices.]

We have relied on the undertakings and representations of the other Underwriters respecting the offering of the Bonds and set forth in the [account letter] [agreement among underwriters]. Although certain information furnished in this certificate has been derived from other underwriters, bond houses and brokers and cannot be independently verified by us, we have no reason to believe it to be untrue in any material respect.

Signed as of this _____ day of _____, 2016.

[Name of book-running senior manager]

By: _____

Title: _____

[Note: This certificate may contain either one of the paragraphs number 2.]

BID FOR BONDS

_____, 2016

Local Government Commission
 3200 Atlantic Avenue, Longleaf Building
 Raleigh, North Carolina 27604

Sirs:

Subject to the provisions and in accordance with the terms set forth in the Notice of Sale and Bid Form relating to the bonds hereinafter mentioned, which provisions and terms are hereby made a part of this bid, we make the following bid for the \$4,635,000 General Obligation Bonds, Series 2016 of the Town of Blowing Rock, North Carolina, described in said Notice of Sale, this bid being for not less than all of said bonds:

For the \$4,635,000 General Obligation Bonds, Series 2016 maturing and bearing interest as follows:

<u>Year of Maturity</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Year of Maturity</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>
2017	\$235,000	_____ %	2027	\$235,000	_____ %
2018	235,000	_____ %	2028	235,000	_____ %
2019	235,000	_____ %	2029	235,000	_____ %
2020	235,000	_____ %	2030	235,000	_____ %
2021	235,000	_____ %	2031	235,000	_____ %
2022	235,000	_____ %	2032	235,000	_____ %
2023	235,000	_____ %	2033	235,000	_____ %
2024	235,000	_____ %	2034	235,000	_____ %
2025	235,000	_____ %	2035	235,000	_____ %
2026	235,000	_____ %	2036	170,000	_____ %

We will pay \$4,635,000.

We will accept delivery of the bonds at The Depository Trust Company in accordance with the Notice of Sale. We understand that if notified that we are the successful bidder, we will be required to advise the County, the financial advisor and the Commission by telephone of the initial offering prices and yields to the public of each maturity of the bonds at the time of such notification and, within 30 minutes, to confirm that information by facsimile transmission (919-855-5812).

One of the following two paragraphs must be checked and completed as appropriate

- () We enclose herewith a check for **\$92,700**, payable to the State Treasurer of North Carolina, to provide the good faith deposit required by the Notice of Sale. In the event this bid is the successful bid, then said check will be cashed in accordance with the terms of the Notice of Sale. Otherwise, said good faith deposit is to be returned to the undersigned.
- () A good faith deposit of **\$92,700** is not enclosed, but will be delivered to the State Treasurer of North Carolina by wire transfer by 2:00 p.m. on the date hereof if the undersigned is the successful bidder for said bonds in accordance with the terms in the Notice of Sale. Said good faith deposit is to be applied in accordance with the terms in the Notice of Sale.

The closing papers referred to in said Notice of Sale are to include a certificate, dated as of the day of the delivery of the bonds, stating that there is no litigation pending or, to the knowledge of the signer(s) of such certificate, threatened affecting the validity of the bonds.

To communicate changes in the principal amounts after the bids are opened as described in the Notice of Sale and to obtain initial offering prices and yields of said bonds, please contact

_____ at _____.

Name

Telephone Number

Name of Firm

Authorized Officer

(No addition or alteration, except as provided above, is to be made to this bid, which may be detached from the annexed Notice of Sale. Bidder may for information only enter his calculation of true interest cost to be _____%. This information is neither required nor to be construed as a part of the foregoing bid.)

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

Ratings:
Moody's:
S&P:
(See "Ratings" herein)

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 12, 2016

NEW ISSUE—Book-Entry Only

This Official Statement has been prepared by the Local Government Commission of North Carolina and the Town of Blowing Rock, North Carolina to provide information in connection with the sale and issuance of the Bonds described herein. Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the Bonds, a prospective investor should read this Official Statement in its entirety. Unless indicated, capitalized terms used on this cover page have the meanings given in the Official Statement. The Town has deemed the Preliminary Official Statement "final" for purposes of S.E.C. Rule 15c2-12 except for information which may be omitted pursuant to Rule 15c2-12.

\$4,635,000

Town of Blowing Rock, North Carolina

General Obligation Bonds, Series 2016

Dated: Date of Delivery

Due: As shown on inside cover page

Tax Treatment

In the opinion of Bond Counsel and subject to the qualifications described herein, interest on the Bonds paid by the Town is not includable in gross income for federal income tax purposes and is exempt from current State of North Carolina income taxes. See "Tax Treatment" herein for additional information regarding tax consequences arising from ownership or receipt of interest on the Bonds, including information regarding the application of federal alternative minimum tax provisions to the Bonds and certain other federal, State and local tax consequences. The Bonds will be "qualified tax-exempt obligations" within the meaning of Internal Revenue Code Section 265(b)(3).

Redemption

The Bonds are subject to optional redemption at the times and price as set forth herein.

Security

The Bonds constitute general obligations of the Town, secured by a pledge of the faith and credit and taxing power of the Town.

Interest Payment Dates

March 1 and September 1, commencing September 1, 2016.

Denominations

\$5,000 or any integral multiple thereof.

Expected Closing/Settlement

March 15, 2016

Bond Counsel

Sands Anderson PC, Raleigh, North Carolina

Financial Advisor

First Tryon Advisors, Charlotte, North Carolina

Sale Date

February 23, 2016

Sale of Bonds

Pursuant to sealed bids in accordance with the Notice of Sale.

The date of this Official Statement is February __, 2016

MATURITY SCHEDULE

\$4,635,000 General Obligation Bonds, Series 2016

Due March 1 of the Year Indicated

<u>Year of</u> <u>Maturity</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u> ¹	<u>Year of</u> <u>Maturity</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u> ¹
2017	\$235,000			2027	\$235,000		
2018	235,000			2028	235,000		
2019	235,000			2029	235,000		
2020	235,000			2030	235,000		
2021	235,000			2031	235,000		
2022	235,000			2032	235,000		
2023	235,000			2033	235,000		
2024	235,000			2034	235,000		
2025	235,000			2035	235,000		
2026	235,000			2036	170,000		

¹Information obtained from underwriters of the Bonds.

TOWN OF BLOWING ROCK, NORTH CAROLINA

TOWN COUNCIL

J.B. Lawrence..... Mayor
Albert Yount..... Mayor Pro-Tem
Doug Matheson Council Member
Ray Pickett Council Member
Jim Steele Council Member
Sue Sweeting Council Member

TOWN STAFF

Scott Fogleman Town Manager
Nicole M. Norman..... Finance Officer
Allen Moseley, Esq..... Town Attorney

FINANCIAL ADVISOR

First Tryon Advisors
Charlotte, North Carolina

BOND COUNSEL

Sands Anderson PC
Raleigh, North Carolina

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State of North Carolina

Department of State Treasurer

JANET COWELL
TREASURER

*State and Local Government Finance Division
and the Local Government Commission*

GREGORY C. GASKINS
DEPUTY TREASURER

INTRODUCTION

This Official Statement, including the cover page and the appendices hereto, is intended to furnish information in connection with the public invitation for bids for the purchase of \$4,635,000 General Obligation Bonds, Series 2016 (the "Bonds"), of the Town of Blowing Rock, North Carolina (the "Town").

The information furnished herein includes a brief description of the Town and its economic conditions, government, debt management, tax structure, financial operations, budget, pension plans and litigation. The Town has assisted the Local Government Commission of North Carolina (the "Commission") in gathering and assembling the information contained herein.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the Bonds offered hereby, nor there any offer or solicitation of such offer or sale of the Bonds in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Neither the delivery of this Official Statement nor the sale of any of the Bonds implies that the information herein is correct as of any date subsequent to the date thereof. The information contained herein is subject to change after the date of this Official Statement, and this Official Statement speaks only as of its date.

This Official Statement is deemed to be a final official statement with respect to the Bonds within the meaning of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), except, when it is in preliminary form, for the omission of certain pricing and other information to be made available by the successful bidder or bidders for the Bonds to the Commission. In accordance with the requirements of such Rule, the Town has agreed in a resolution adopted by the Town Council of the Town prior to the sale of the Bonds to certain continuing disclosure obligations. See the caption "Continuing Disclosure" herein.

THE LOCAL GOVERNMENT COMMISSION OF NORTH CAROLINA

The Commission, a division of the Department of State Treasurer, State of North Carolina (the "State"), is a State agency that supervises the issuance of the bonded indebtedness of all units of local government and assists these units in the area of fiscal management. Appendix A to this Official Statement contains additional information concerning the Commission and its functions.

THE BONDS

Description

The Bonds will be dated their date of delivery and will bear interest from their date at the interest rates set forth on the inside front cover page. Interest on the Bonds will be payable semiannually on each March 1 and September 1, commencing September 1, 2016. The Bonds will mature, subject to the redemption provisions set forth below, on the dates set forth on the inside cover page of this Official Statement.

Payments will be made to the person shown as owner at the end of the calendar day on the 15th day of the month (whether or not that day is a business day) preceding the payment date.

The Bonds will be issuable as fully registered bonds in a book-entry system under which The Depository Trust Company ("DTC") will act as securities depository nominee for the Bonds. Purchases and transfers of the Bonds may be made only in authorized denominations of \$5,000 and in accordance with the practices and procedures of DTC. See Appendix F hereto for a description of DTC and its book-entry system.

The Finance Officer of the Town has been appointed Bond Registrar for the Bonds.

Redemption Provisions

The Bonds maturing on or prior to March 1, 2026 will not be subject to redemption prior to maturity. The Bonds maturing on March 1, 2027 and thereafter will be redeemable, at the option of the Town, from any moneys that may be made available for such purpose, either in whole or in part on any date not earlier than March 1, 2026, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus interest accrued to the date fixed for redemption.

If less than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portions of Bonds of such maturity to be redeemed shall be selected by lot in such manner as the Town in its discretion may determine; provided, however, that the portion of any Bond to be redeemed shall be in the principal amount of \$5,000 or any integral multiple thereof and that, in selecting Bonds for redemption, each Bond shall be considered as representing that number of Bonds which is obtained by dividing the principal amount of such bond by \$5,000 and, further, that so long as a book-entry system with DTC is used for determining beneficial ownership of bonds, if less than all of the Bonds within a maturity are to be redeemed, DTC shall determine by lot the amount of interest of each Direct Participant in the Bonds to be redeemed. If less than all of the Bonds then subject to redemption shall be called for redemption, the particular maturities and amounts of the Bonds or portions of Bonds to be redeemed shall be determined by the Town in its discretion.

Notice of redemption shall be given to Cede & Co., DTC's nominee, as the registered owner of the Bonds, in such manner as required by DTC. Such notice shall be sent not more than 60 days nor less than the 30 days prior to the date fixed for redemption. The Town will not be responsible for sending notices of redemption to anyone other than Cede & Co.

On the date fixed for redemption, notice having been given as hereinabove provided, the Bonds or portions thereof called for redemption shall be due and payable at the redemption price provided therefor, plus accrued interest to such date. If moneys sufficient to pay the redemption price of the Bonds or portions thereof to be redeemed plus accrued interest thereon to the date fixed for redemption have been deposited by the Town to be held in trust for the registered owners of the Bonds or portions thereof to be redeemed, interest on the Bonds or portions thereof called for redemption shall cease to accrue. If a portion of a Bond shall have been selected for redemption, a new Bond or Bonds of the same maturity, of any authorized denomination or denominations and bearing interest at the same rate for the unredeemed portion of the principal amount of such Bonds.

Any notice of redemption may state that the redemption to be effected is conditioned upon the receipt by the bond Registrar on or prior to the redemption date of moneys sufficient to pay the principal of and premium, if any, and interest on the bonds to be redeemed, and that if such moneys are not so received, such notice shall be of no force or effect and such Bond shall not be required to be redeemed. In the event that such notice contains such a condition and moneys sufficient to pay the redemption price and interest on such bonds are not received by the bond Registrar on or prior to the redemption date, the redemption shall not be made and the Bond Registrar shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Authorization and Purpose

The Bonds are being issued pursuant to the provisions of The Local Government Bond Act, as amended, Article 7, as amended, of Chapter 159 of the General Statutes of North Carolina, four bond orders duly adopted by the Town Council on July 29, 2014, which orders were each approved by the vote of a majority of qualified voters of the Town who voted thereon at a referendum duly called and held on November 4, 2014 and a resolution duly adopted by the Town Council on February 9, 2016. The Bonds are being issued to pay for water, sewer, street and parks and recreation facilities improvements in the Town.

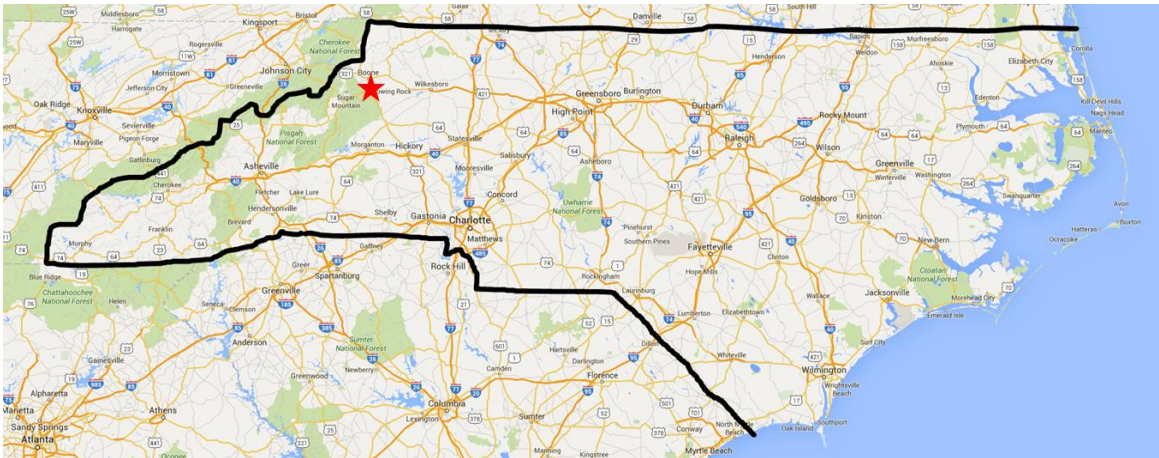
Security

The Bonds are general obligations of the Town. The Town is authorized by law to levy on all the real property and tangible personal property taxable by the Town such ad valorem taxes as may be necessary to pay the Bonds and the interest thereon without limitation as to rate or amount.

THE TOWN

General Description

The Town is located in two counties, Watauga and Caldwell, in the northwestern part of the State. The Town is 3,600 feet above sea level and covers an area of 3.1 square miles. The majority of the Town's land area and population is located in Watauga County, with the remainder in Caldwell County. The Town was incorporated on March 11, 1889. Approximately 8.3% of the Town's population is located in Caldwell County and 91.7% is located in Watauga County.



The Town sits astride the Eastern Continental Divide and is primarily accessed by U.S. Highways 321 and 221. The Town is recognized as a resort Town offering outdoor activities such as hiking, camping, and skiing, as well as dining and shops and boutiques, and attracts visitors from many places. Distances from these major cities are as follows:

Raleigh, NC196 miles
Charlotte, NC 93 miles
Washington, DC402 miles
New York, NY622 miles
Atlanta, GA293 miles

The Town was first settled during the Civil War when early settlers sought refuge from the conflicts of war in the remote mountains. After the war, soldiers joined their families in the Town. As the years passed, seasonal residents seeking relief from the heat of lower altitudes became a common addition to the village. With them came the economic base of the community. Farmland was turned into sites for hotels and shops, geared to visitors from the lowlands. With the coming of the automobile and improved communications of the 1900's, the Town developed into a vacation destination. The cool climate draws many visitors. The average temperatures for the Town are as follows: summer, 65 degrees; fall, 42 degrees; winter, 34 degrees; and spring, 56 degrees. The average snowfall is 30.4 inches and average rainfall is 65.75 inches.

Cultural opportunities in the area include a professional summer stock theater in Blowing Rock, the Ensemble Stage, Horn in the West, an outdoor drama nearby in the Town of Boone, North Carolina and many concerts, recitals, and productions performed on the campus of Appalachian State University in Boone. From May to October, there are concerts in the Town in Memorial Park almost every Sunday afternoon. Art in the Park, a juried arts and crafts show, is held on Saturdays once a month from May to October. The Tour of Homes, the Blowing Rock Charity Horse Show, the Scottish Highland Games, and a July 4th parade are summer highlights.

Recreational activities include canoeing and fishing as well as riding trails, golf courses, campgrounds, hiking trails, picnic areas, and skiing. There are 21 hotels, motels, inns, and resorts in the Town, ranging from bed and breakfast inns, log cabin rentals, deluxe hotels, moderately priced motels, and full service resorts, for a total of approximately 570 rooms. Log cabins, large mountain homes and condominium units are also available as rentals. Visitors may shop in a selection of apparel, antique and specialty stores, or at the Tanger factory outlet shopping center.

The governing body of the Town is comprised of five council members and a mayor. The Council Members are elected for four-year staggered terms and the Mayor is elected every two years. The Town has one of the lowest municipal real property tax rates in the State of North Carolina at 33 cents per \$100 of assessed property valuation. The Town operates its own community water and wastewater facilities and provides police and fire and rescue protection 24-hours a day. The Town's Public Works Department maintains roads, buildings and grounds and provides other essential services.

The Town adopted a Comprehensive Plan Update in 2014. This policy document outlines the short and long-term goals of the community and assists the elected officials and staff in making decisions. The first Blowing Rock Comprehensive Plan was adopted in 1982 and updated in 1993 and 2004, with the latest update in 2014. With input from citizens, property and business owners, and visitors, the Comprehensive Plan focuses on topics related to the overall quality of life and sustainability of the community.

Comprehensive Plan topics include:

1. Land Use and Community Character
2. Economic Development and Tourism
3. Transportation
4. Municipal Services and Infrastructure
5. Parks & Recreation
6. Natural and Environmental Resources
7. Historic and Cultural Resources
8. Financial Resources

Through citizen workshops and public involvement, the following 10 projects were identified as being the highest priority to undertake at the outset of the Comprehensive Plan implementation. The list is not in priority rank or in any particular order.

- Planning for Downtown Overhead Utility Relocation
- Middle Fork Greenway Extension (through Town)
- Multi-use Path from Downtown to Bass Lake
- Valley Boulevard Gateway Enhancements
- Illustrative Architectural and Site Design Standards
- Complete Downtown Streetscape Project
- Continue Utility Facilities Plan Implementation
- Expand Culture/Arts Use of Town Facilities
- Develop Arts/Cultural Center on Park Avenue
- Middle Fork Greenway Completion (to Boone)

Demographic Characteristics

The United States Department of Commerce, Bureau of the Census, has recorded the population of the Town to be as follows:

<u>1990</u>	<u>2000</u>	<u>2010</u>
1,263	1,418	1,241

The population of the Town as estimated by the North Carolina Office of State Budget and Management is as follows:

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
1,248	1,224	1,285	1,280

Per capita income data for Watauga County and the State are presented in the following table:

<u>Year</u>	<u>County¹</u>	<u>State</u>
2010	\$29,040	\$35,569
2011	29,395	36,622
2012	30,362	38,655
2013	29,828	37,774
2014	30,998	39,171

Per capita income data for Caldwell County and the State are presented in the following table:

<u>Year</u>	<u>County¹</u>	<u>State</u>
2010	\$27,140	\$35,569
2011	27,814	36,622
2012	29,314	38,655
2013	28,645	37,774
2014	30,091	39,171

¹Separate data for the Town are not available.

Source: United States Department of Commerce, Bureau of Economic Analysis. (Most recent available data).

Commerce and Industry

The Town is a seasonal community with 1,280 year round residents and an estimated 8,000 residents during the summer months. The largest employers within the Town's corporate limits are Appalachian Regional Healthcare Systems, Samaritan's Purse, Coach Inc., Chetola Mountain Resort at Blowing Rock, and Food Lion.

- Appalachian Regional Healthcare Systems' mission is to support the provision of high quality, compassionate healthcare for the mountain region of northwest North Carolina and northeast Tennessee. Locations include: Charles Cannon Jr. Memorial Hospital in Linville, Watauga Medical Center in Boone, Appalachian Regional Medical Associates in Boone, Blowing Rock Rehabilitation and Devant Extended Care Center in the Town and Appalachian Regional Healthcare Foundation.
- Samaritan's Purse is an evangelical Christian humanitarian organization that provides aid to people locally and worldwide in physical need as a key part of Christian missionary work. The 26,000 square foot facility is located in the Town and is used for trainings, conferences, meetings, and faith-based community events.
- Coach Inc. is a fashionable American leather-goods brand retailer, known for signature handbags, shoes and accessories.
- Chetola Mountain resort is set on an 87-acre estate from the 1800s. It is an upscale mountain resort that includes a lodge, inn and restaurant.
- Food Lion, based in Salisbury, N.C. since 1957, operates more than 1,100 grocery stores in 10 Southeastern and Mid-Atlantic states. The company employs over 63,000 associates and serves approximately 10 million customers weekly throughout its stores. Food Lion has a full service 29,000 square foot grocery store in the Town that employs 56 people.

Listed below are the largest employers in Watauga County*:

<u>Company</u>	<u>Industry</u>	<u>Employment Range</u>
Appalachian State University	Education and Health Services	1,000+
Appalachian Regional Healthcare Systems	Education and Health Services	1,000+
Watauga County Board of Education	Education and Health Services	500-999
Samaritan's Purse, Inc.	Education and Health Services	500-999
Watauga County Government	Public Administration	250-499
Wal-Mart Associates, Inc.	Trade, Transportation and Utilities	250-499
Beech Mountain Resort, Inc.	Leisure and Hospitality	100-249
Clinical Trial Services	Professional and Business Services	100-249
Mast General Store	Trade, Transportation and Utilities	100-249
Appalachian Ski Mountain, Inc.	Leisure and Hospitality	100-249

*Separate data for the Town are not available.

Source: North Carolina Department of Commerce Watauga County Employer Profile 2015 1st quarter.

Listed below are the largest employers in Caldwell County*:

<u>Company</u>	<u>Industry</u>	<u>Employment Range</u>
Caldwell County Schools	Education and Health Services	1,000+
Merchants Distributors, Inc.	Trade, Transportation and Utilities	1,000+
Bernhardt Furniture Co., Inc.	Manufacturing	1,000+
Heritage Home Group, LLC	Manufacturing	500-999
Caldwell Memorial Hospital Inc.	Education and Health Services	500-999
Caldwell Community College & Tech. Inst.	Education and Health Services	500-999
Caldwell County Government	Public Administration	500-999
Wal-Mart Associates, Inc.	Trade, Transportation and Utilities	500-999
Fairfield Chair Co.	Manufacturing	250-499
Greer Laboratories (A Corp.)	Manufacturing	250-499

*Separate data for the Town are not available.

Source: North Carolina Department of Commerce Caldwell County Employer Profile 2015 1st quarter.

Construction activity in the Town is indicated in the following table of building permits:

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Commercial</u>		<u>Residential</u>		<u>Total Value</u>
	<u>Number</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>	
2012	4	\$ 166,573	0	\$ 0	\$ 166,573
2013	3	713,745	8	6,703,367	417,112
2014	2	17,929,000 ¹	11	10,249,862	28,178,862
2015	4	1,831,880	6	3,238,932	5,070,812
2016 ²	2	3,240,000	1	671,000	3,911,000

¹The 2014 commercial value includes \$17,929,000 for the new 87,500 square foot Post-Acute Care Facility being built by the Appalachian Regional Healthcare Systems.

²As of November 30, 2015

Source: Town of Blowing Rock Planning and Inspections Department.

Total taxable retail sales for Watauga County for the past five fiscal years ended June 30, 2011 through 2015 are shown in the following table:

<u>Fiscal Year Ended June 30</u>	<u>Total Taxable Sales</u>	<u>Increase (Decrease) Over Previous Year</u>
2011	\$ 611,846,387	3.4%
2012	629,686,939	2.9
2013	633,572,655	.6
2014	682,189,368	7.7
2015	725,223,019	6.3

Total taxable retail sales for Caldwell County for the past five fiscal years ended June 30, 2011 through 2015 are shown in the following table:

<u>Fiscal Year Ended June 30</u>	<u>Total Taxable Sales</u>	<u>Increase (Decrease) Over Previous Year</u>
2011	\$ 447,996,421	6.7%
2012	483,933,455	8.0
2013	469,168,229	(3.1)
2014	494,164,800	5.3
2015	560,528,987	13.4

Source: North Carolina Department of Revenue, Sales and Use Tax Division. Separate data for the Town are not available.

Employment

The North Carolina Employment Security Commission has estimated the percentage of unemployment in Watauga County to be as follows:

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>		<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
January	8.0%	8.0%	5.5%	5.3%	July	7.9%	6.7%	5.8%	5.6%
February	8.0	7.7	5.7	4.9	August	7.4	6.2	5.4	5.3
March	7.8	7.2	5.8	4.9	September	6.4	5.2	4.5	4.3
April	7.2	6.6	4.9	4.4	October	6.6	5.5	4.5	4.6
May	7.2	6.7	5.4	5.2	November	6.9	5.2	4.4	4.4
June	7.7	6.9	5.3	5.3	December	7.3	4.9	4.4	N/A

The North Carolina Employment Security Commission has estimated the percentage of unemployment in Caldwell County to be as follows:

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>		<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
January	12.6%	11.6%	7.9%	6.6%	July	11.9%	10.0%	7.6%	6.8%
February	12.5	11.2	7.8	6.3	August	11.5	9.0	7.4	6.6
March	11.8	10.1	7.5	6.1	September	10.7	8.4	6.5	5.8
April	11.0	9.6	6.9	5.8	October	10.9	8.3	6.3	5.9
May	11.6	9.7	7.4	6.5	November	10.9	8.0	6.2	5.9
June	11.9	10.1	7.4	6.8	December	11.1	7.6	5.8	N/A

Note: Separate data for the Town not available.

Government and Major Services

GOVERNMENT STRUCTURE

The Town has had a Council-Manager form of government since 1986. Municipal elections are held every two years. The Mayor is elected at large and serves a two-year term. Council members are elected at large, and serve four-year terms with three or two members of Council being elected every two years, depending on the election cycle of alternating terms. All Council members have an equal vote. The Council sets Town policies, enacts ordinances, and appoints the Town Manager and Town Attorney. The Mayor votes only in the case of a tie. The Town Manager administers the daily operations and programs of the Town through supervision of the department heads, other staff members and employees.

EDUCATION

Blowing Rock Elementary School which is part of the Watauga County School Administrative Unit is within the corporate limits of the Town. Watauga County Schools include approximately 4,400 students and over 650 professional personnel. The Town has no financial responsibility for the consolidated school system. The Watauga County Board of Commissioners is the primary funding source of the system, along with Federal and State funds.

The following table shows the number of public schools and average daily membership over the past five years for the Watauga County Schools:

<u>School Year</u>	<u>Total School Units</u>	<u>ELEMENTARY</u>		<u>SECONDARY</u>	<u>Total ADM</u>
		<u>Kindergarten ADM</u>	<u>Grades 1-8 ADM</u>	<u>Grades 9-12 ADM</u>	
2011-12	9	350	2,613	1,367	4,380
2012-13	9	343	2,667	1,481	4,491
2013-14	9	338	2,702	1,425	4,465
2014-15	9	373	2,667	1,346	4,386
2015-16	9	350	2,613	1,367	4,330

Note: ADM — average daily membership (determined by the actual records at the schools) is computed by Watauga County Schools, LEA Data Coordinator on a uniform basis as for all public schools in the State. The ADM computation is used as a basis for teacher allotments.

Source: Watauga County Schools, LEA Data Coordinator.

The 2014-15 results released by the State Board of Education show that the Watauga County School System outperformed the State as a whole by a significant margin in reading, math, and science in the k-8 schools, and in English II, Biology, the ACT test, and other assessments at the high school level. Watauga High School has a record high four year graduation rate of 87.9% at Watauga High School and a five year graduation rate of 90.9%, also a record while the statewide four year graduation rate hit an all-time high of 85.4% as reported in a news release date September 2, 2015 titled *Watauga County Schools Outperform on School Performance Measures*.

A portion of the Town is also located in Caldwell County. The following table shows the number of public schools and average daily membership over the past five years for Caldwell County Schools:

<u>School Year</u>	<u>Total School Units</u>	<u>ELEMENTARY</u>		<u>SECONDARY</u>	<u>Total ADM</u>
		<u>Kindergarten ADM</u>	<u>Grades 1-8 ADM</u>	<u>Grades 9-12 ADM</u>	
2011-12	26	873	7,992	3,813	12,678
2012-13	26	894	7,788	3,873	12,555
2013-14	26	899	7,666	3,768	12,333
2014-15	26	969	7,458	3,797	12,224
2015-16	26	875	7,360	3,825	12,060

Note: ADM — average daily membership (determined by the actual records at the schools) is computed by Caldwell County Schools, on a uniform basis as for all public schools in the State. The ADM computation is used as a basis for teacher allotments.

Source: Public Schools of North Carolina State Board of Education, Department of Public Instruction for Caldwell County Schools.

Higher education needs are met by Caldwell Community College which offers a variety of two year vocational and basic education programs, college transfer curriculums, as well as continuing education courses. Four year degrees are offered at Appalachian State University, which is one of 16 universities in the University of North Carolina system. Appalachian State is located 8 miles from Blowing Rock in Boone.

TRANSPORTATION

The Town is primarily accessed by U. S. Highways 321 and 221, and by the Blue Ridge Parkway. U. S. Highway 321 north to Boone is four lanes, and 6.5 miles south of Blowing Rock the four lane road resumes. Currently the North Carolina Department of Transportation has a project underway which will widen the remaining ten miles of Highway 321 to four lanes. Betterments along the area of the project including decorative fencing, new traffic light mast arms, sidewalk repair and extensions as well as new gateway signage to welcome motorists to Town.

The nearest airport with scheduled commercial flights is in Charlotte, North Carolina, 100 miles south of Blowing Rock. Major air terminals are also located in Winston-Salem, Greensboro, and Asheville, North Carolina, as well as Johnson City, Tennessee. A small airstrip is located eight miles north in Boone, and planes may also land at a small facility in Hickory, North Carolina, fifty miles south of Blowing Rock. There are ample motor freight carriers serving the area of the Town.

The Town is part of the Rural Transportation Organization formed in 2001 to provide planning for future transportation needs for the seven-county mountain region of North Carolina in conjunction with the North Carolina Department of Transportation.

Construction and maintenance of the streets in the Town is a high priority in the Town's budget. Approximately \$77,000 in State Powell Bill funds are received from the State each fiscal year. The Town Council has allocated additional funding in some years to maintain 31.305 miles of local streets.

MEDICAL AND HEALTH-RELATED FACILITIES

Effective October 1, 2013, Blowing Rock Hospital became Blowing Rock Rehabilitation & Davant Extended Care Center. Davant Care Center is a 72-bed skilled nursing and rehabilitation facility. Located in Blowing Rock, the center offers private or semi-private rooms, each with its own bathroom. Residents have access to a garden area with a gazebo as well as an activity room and day room for relaxation and socializing. The center also has outdoor views of the mountains and access to shopping, restaurants and activities.

Construction of a new \$28 million dollar post-acute care facility to replace the current facility is underway with completion expected in the summer of 2016. The new facility named the Foley Center at Chestnut Ridge in Blowing Rock, will offer a neighborhood concept with short and long term rehabilitation, memory care, long term care and palliative care.

PUBLIC UTILITY ENTERPRISES

The Town owns and operates a water treatment and distribution system and a wastewater treatment and collection system which provides services to customers inside and outside the Town limits.

Water System — The water system consists of a plant processing capacity of 1 million gallons per day (MGD) with an average daily use of 0.361 MGD. The system serves 2,365 accounts consisting of 1,971 residential and 394 commercial customers. The Town has 3.5 million gallons of treated water storage. Raw water is supplied from the Town's reservoir, which is fed by Brick House Creek, with Chetola Lake being used as a backup water source. In 2011, a potable waterline interconnection was constructed between Boone and Blowing Rock for emergency water supply. Also, the Town has considered the land adjacent to its current reservoir if necessary to expand the storage capacity of the reservoir from 45 million gallons to 60 million gallons. The Town continues to plan for growth and expansion of the system to meet the future needs of the community.

Sanitary Sewer System — The wastewater system consists of a plant capacity of .8 MGD with an average daily influent of .242 million gallons. The system serves 1,972 customers consisting of 1,593

residential and 379 commercial customers. In recent years a new, more powerful generator that can support the entire plant was installed. In addition, upgrades have been completed on the diffusers and digesters to help the plant run more efficiently.

PARKS AND RECREATION AND LANDSCAPING

The Town operates a year round parks and recreation and landscaping department with a budget for fiscal year 2015-2016 of \$572,945. In addition to the full time staff of five employees, each summer approximately thirty seasonal employees are hired to oversee a summer day camp program serving 160 children, staff the five year old Robbins Pool at Broyhill Park which is the only public outdoor swimming pool in Watauga County, and staff a building in Memorial Park that provides athletic equipment for residents and visitors to use.

The Parks and Recreation Department offers four special events each year. There is an annual Easter Egg Hunt and activities, July 4th Festival with games, concerts, horseshoe tournament and parade, Halloween Festival with games, hayrides, Monster march, trick-or-treating, costume contest, and moonlight scavenger hunt, and the Christmas in the Park/Lighting of the Town Festival with caroling, hayrides, visits with Santa, and parade.

Other programs that are organized through this department include kinder basketball, kinder t-ball, and kinder soccer which is offered for children in the entire county from ages three to five. There is also a Monday Night Concert Series during July and August and an outdoor movie night every other Thursday from the end of June to the first of August.

The Recreation Department oversees landscaping and rentals of all the Town areas and facilities including a new gazebo in Memorial Park for concerts, a newly renovated American Legion building for meetings, parties, receptions etc., Broyhill gazebo for weddings, the Blowing Rock Clubhouse, Davant ball field, and the Recreation Center.

PUBLIC SAFETY

The Blowing Rock Police Department provides services to the community 24 hours a day. During the year of 2014 only 28 property crimes were reported to the Police Department. The national real estate firm Trulia gives the Town its safest rating. The Police Department has recently improved its service with the expansion of evidence security facilities and procedures. A high emphasis is placed on the continuing education and training of officers.

Blowing Rock Fire & Rescue is a combination regular paid staff and volunteer department currently working out of two stations serving a 58 square-mile district that includes the Town and nearby rural communities. Staff members are employees of the Town as part of a partnership that provides the citizens and visitors with Paramedic care, Heavy Rescue response, and as of December 1, 2015, a Property Protection Class 4 rating. The headquarters station contributed much to the improved rating and the service provided. Station 1 was a collaborative investment totaling more than \$5 million by combining efforts and improving services and quality of life significantly. There are plans to build a third station in the district's northern service area in the next couple of years as well.

SOLID WASTE

The Town's Sanitation Division is responsible for the collection of solid waste from all residences and commercial properties in Town. Curbside residential pick-up is once a week. Commercial service is offered three days a week.

Solid waste is hauled to a transfer station at the Watauga County Landfill in the Town of Boone. Watauga County charges the Town a tipping fee for each ton of commercial solid waste that is delivered to the County's landfill. The County does not charge a tipping fee for residential solid waste

since each residential property owner is assessed an annual disposal fee on their County property tax bill.

RECYCLING

The Town contracts with Republic Services to provide residential curbside recycling which is collected once a week throughout Town to encourage recycling. The program collects recyclables including paper, plastic, glass and aluminum/steel cans, with the Town furnishing the recycling container. Cardboard pick-up is not provided, but it can be dropped off at two Watauga County convenience center locations, the nearest of which is located just outside of the Town limits.

Within the Town of Blowing Rock it is mandatory that businesses participate in the recycling program. The Sanitation Division collects recyclable cardboard once a week for small volume businesses, and then hauls the recyclable materials to the Watauga County Recycling Center. Large volume businesses must privately contract for cardboard and glass recycling service.

Debt Information

LEGAL DEBT LIMIT

In accordance with the provisions of the State Constitution and The Local Government Bond Act, as amended, allowing for the issuance of all presently authorized bonds, including those being offered by this Official Statement, the Town has the statutory capacity to incur additional net debt in the approximate amount of \$77,838,000. For a summary of certain constitutional, statutory and administrative provisions governing or relating to the incurrence of debt by units of local government of the State, see Appendix B.

OUTSTANDING GENERAL OBLIGATION DEBT

The Town currently has no outstanding general obligation bonds.

BONDS AUTHORIZED AND UNISSUED

<u>Purpose</u>	<u>Date Approved</u>	<u>Bonds Authorized and Unissued</u>	<u>Bonds Now Offered</u>	<u>Balance</u>
Parks and Recreation	11/04/2014	\$1,000,000	\$ 440,000	\$ 560,000
Streets	11/04/2014	9,000,000	3,060,000	5,940,000
Water	11/04/2014	2,000,000	470,000	1,530,000
Sewer	11/04/2014	<u>1,000,000</u>	<u>665,000</u>	<u>335,000</u>
		\$13,000,000	\$ 4,635,000	\$ 8,365,000

DEBT INFORMATION FOR OVERLAPPING UNITS AS OF JUNE 30, 2015

<u>Unit</u>	<u>2014 Population¹</u>	<u>Assessed Valuation</u>	<u>Tax Rate Per \$100</u>	<u>Debt Authorized and Unissued</u>		<u>Total GO Debt</u>		<u>Total GO Debt Per Capita</u>
				<u>Utility</u>	<u>Other</u>	<u>Utility</u>	<u>Other</u>	
Watauga County	52,682	\$8,973,128,434	\$0.313	-	-	\$-	\$-	\$-
Caldwell County	82,504	6,116,096,400	0.60	-	-	-	825,000	10.00

¹North Carolina Office of State Budget and Management.

OTHER LONG-TERM COMMITMENTS

As of June 30, 2015, the following installment purchase contracts were outstanding:

Installment contract, dated January 17, 2003, final maturity in 2018, with a face amount of \$775,000, due in quarterly payments of \$12,917 plus interest at 4.35%, collateralized by land (Tiller Property). This debt has an outstanding balance of \$142,083.

Installment contract, dated October 10, 2006, final maturity in 2026, with a face amount of \$4,700,000, due in annual payments of \$235,000 plus interest at 4.22%, collateralized by building and land (Fire/Rescue Building). This debt has an outstanding balance of \$2,585,000.

Installment contract, dated December 18, 2014, final maturity in 2019, with a face amount of \$401,001, due in annual payments of \$98,651 plus interest at 1.46%, collateralized by equipment and vehicles. This debt has an outstanding balance of \$401,001.

Installment contract, dated March 6, 2012, final maturity in 2033, with a face amount of \$550,398, due in annual payments of \$27,519 plus interest at 2.445%, funding received through N.C. Department of Natural Resources (Wastewater Treatment Plant Improvements). This debt has an outstanding balance of \$482,575.

Installment contract, dated May 14, 2010, final maturity in 2031, with a face amount of \$1,000,131, due in annual payments of \$37,824 plus interest at 0.00%, funding received through the NC Drinking Water and Revolving Loan and Grant Program and was matched 100% by American Reinvestment and Recovery Act grant funds (Water Interconnect). This debt has an outstanding balance of \$605,184.

Installment contract, dated November 7, 2013, final maturity in 2016, with a face amount of \$131,465, due in quarterly payments of \$18,904 plus interest at 1.68%, collateralized by vehicles. This debt has an outstanding balance of \$66,280.

Installment contract, dated August 25, 2009, final maturity in 2025, with a face amount of \$1,000,000, due in two annual interest payments of \$40,800 followed by annual payments of \$76,923 plus interest at 4.08%, collateralized by a parking facility (BRAHM Parking Facility). This debt has an outstanding balance of \$769,231.

Installment contract, dated May 5, 2015, final maturity in 2030, with a face amount of \$1,700,580, due in annual payments of \$113,372 plus interest at 2.83%, collateralized by a building (Public Works Warehouse). This debt has an outstanding balance of \$1,700,580.

DEBT OUTLOOK

The major funding initiative plans for fiscal year 2015-16 include funding the replacement of the Town's Public Works Warehouse facility. (See last paragraph in Other long Term Commitments herein). The total project cost is anticipated at \$1,700,580 including a project contingency. This project has increased annual general fund debt service costs by approximately \$120,000 and annual utility fund debt service costs by approximately \$40,000. The debt service costs of the facility are being split between the general fund (75%) and the utility fund (25%) since the facility supports both general Town operations and the utility system. This project will improve and the efficiency and effectiveness of the Town's daily public works and utility operations.

The Town also plans to fund annual capital equipment and vehicle purchases through a single capital equipment fund package. This includes funding for the following equipment: a riding mower, two utility vehicles, a sewer jet vacuum, tractor, mini excavator, salt spreader, turbine blower, vehicle lift, cart lifter attachment for a garbage truck, two police SUV vehicles, a single ton dump truck,

utility loader and a sod cutter. These purchases will total approximately \$435,000 and increase debt service in the general fund by approximately \$65,500 and \$40,500 in the utility fund annually.

A general obligation bond referendum with four different questions was placed before the Town voters on November 4, 2014 totaling \$13,000,000 in bond funding authority consisting of \$9,000,000 in street improvements, \$1,000,000 in park improvements, \$2,000,000 in water line and system improvements and \$1,000,000 in sewer line and system improvements. Borrowing of funds is planned for the first half of calendar year 2016 through the issuance of the Bonds.

Tax Information

GENERAL INFORMATION

	Fiscal Year Ended or Ending June 30			
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Assessed Valuation:				
Assessment Ratio ¹	100%	100%	100%	100%
Real Property	\$ 1,115,928,700	\$1,069,036,830	\$ 1,709,873,000	\$1,090,175,113
Personal Property	15,339,647	13,685,830	13,720,004	13,565,000
Public Service Companies ²	<u>6,287,832</u>	<u>6,339,272</u>	<u>6,339,272</u>	<u>6,737,582</u>
Total Assessed Valuation	\$1,137,556,179	\$1,089,061,932	\$1,099,932,276	\$1,110,477,695
Rate per \$100	.28	.31	.31	.33
Levy	\$ 3,058,954	\$ 3,066,480	\$ 3,409,790	\$ 3,664,576

¹Percentage of appraised value has been established by statute.

²Valuation of railroads, telephone companies and other utilities as determined by the North Carolina Property Tax commission.

³Breakdown is estimated based on audit.

⁴Estimated based on adopted budget figures and public service companies discovery billing.

Note: Caldwell County revaluation was effective in tax year 2013 and Watauga County was effective in tax year 2014. Revaluations are required at least every 8 years in both counties by state statute.

Source: TR-2 Municipal Certification provided by the Town of Blowing Rock Tax Collector.

TAX COLLECTIONS

<u>Year Ended June 30</u>	<u>Prior Years' Levies Collected</u>	<u>Current Year's Levy Collected</u>	<u>Percentage of Current Year's Levy Collected</u>
2012	\$64,822	\$3,007,130	98.21%
2013	47,070	3,033,471	98.92
2014	27,912	3,132,273	98.34
2015	51,645	3,337,422	98.84

Note: Collections do not include motor vehicles or penalties.

TEN LARGEST TAXPAYERS FOR FISCAL YEAR 2015-16

<u>Name</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Tax Levy</u>	<u>Percent of Total Levy</u>
Tanger Properties LTD PTNRP	Retail	\$ 9,594,300	\$ 31,661	0.88%
RSK LLC	Resort	5,291,800	17,463	0.49
Meadowbrook Corp.	Hotel	5,045,100	16,649	0.46
Blue Ridge Electric Membership Corp.	Power Company	4,479,839	14,783	0.41
Rankin, Kay H.	Residence	4,438,000	14,645	0.41
Blowing Rock Country Club Inc.	Country Club/Golf Course	4,302,200	14,197	0.40
Bank of Granite	Land Development	4,028,100	13,293	0.37
Chetola Lake POA	Resort/Condos	3,994,000	13,180	0.37
Graham, Melvin	Residence	3,293,200	10,868	0.30
Millan, Inc.	Hotel	3,092,100	10,204	0.28

Note: Total 2015-16 Ad Valorem Levy, excluding motor vehicles, is \$3,590,215.

2015-16 Budget Commentary

Property tax collections and revenues from sales tax are projected to increase due to projected growth in the fiscal year 2016 ad valorem tax base is of approximately 1.2% or approximately \$13 million, a budgeted tax rate increase from .31 to .33 cents and the continuation of the ad valorem method of sales tax distribution set by Watauga County for the third consecutive year. The Town will use these revenues to maintain existing programs and fund planned capital improvements, including the increase in debt service expected with the general obligation borrowing in the spring of 2016.

Prior to fiscal year 2016 a funding source available to all North Carolina municipalities including Blowing Rock was Privilege License Taxes on trades, occupations, professions, businesses and franchises carried on within the municipality. This tax ranged from \$2.50 to \$100 per business. The North Carolina General Assembly eliminated the authority of municipalities to levy a privilege license tax effective July 1, 2015 so this revenue source has been eliminated from the Town's budget in fiscal year 2016. This revenue source for the Town typically averaged approximately \$16,000 per year and peaked at nearly \$22,000 in fiscal year 2012.

Budgeted expenditures in the General Fund may increase slightly, as a result of rising costs associated with inflation driven increases in operation & maintenance costs.

Water use has been gradually declining over the past decade due to more efficient fixtures being installed by customers. The utility customer base has remained fairly steady, which offers fewer gallons among which to spread the largely fixed costs of providing dependable water and sewer services. To help ensure the system is able to recover its costs and not be subsidized by tax revenues to [au]omcreased debt service costs associated with planned water and sewer capital improvements, a \$2.00 base increase for both water and sewer along with a \$0.25 increase in the per thousand gallon rate for gallons consumed greater than 5,000 per two month billing period has been implemented. These changes are expected to increase a typical customer's bill by 5%. General operating expenses may also increase slightly as a result of rising costs associated with inflation driven increases in operation & maintenance costs.

The Town's budget supports 57 full-time employees. Personnel costs, including benefits, represent approximately 42% of the total combined operating budget. Following a comprehensive classification and pay study, Town Council committed to phasing in its implementation over four years to move toward the market salary levels for positions identified.

Pension Plans

The Town participates in the North Carolina Local Governmental Employees' Retirement System and the Supplemental Retirement Income Plan.

North Carolina Local Governmental Employees' Retirement System — The North Carolina Local Governmental Employees' Retirement System is a service agency administered through a board of trustees by the State for public employees of counties, cities, boards, commissions and other similar governmental entities. While the State Treasurer is the custodian of system funds, administrative costs are borne by the participating employer governmental entities. The State makes no contributions to the system.

The system provides, on a uniform system-wide basis, retirement and, at each employer's option, death benefits from contributions made by employers and employees. Employee members contribute six percent of their individual compensation. Each employer makes a normal contribution plus, where applicable, a contribution to fund any accrued liability over a 24-year period. The normal contribution rate, uniform for all employers, is currently 7.06 percent of eligible payroll for general employees and 7.54 percent of eligible payroll for law enforcement officers. The accrued liability contribution rate is determined separately for each employer and covers the liability of the employer for benefits based on employees' service rendered prior to the date the employer joins the system.

Members qualify for a vested deferred benefit that is unreduced at age 65, with at least five years of creditable service, or at age 60 with 25 years of credit, at any age with 30 years credit; reduced benefit at age 50 with at least 20 years credit or at age 60 with at least five years of creditable service. Benefit payments are computed by taking an average of the annual compensation for the four consecutive years of membership service yielding the highest average. This average is then adjusted by a percentage formula, by a total years of service factor, and by an age service factor if the individual is not eligible for unreduced benefits. Contributions to the system are determined on an actuarial basis.

For additional information concerning the Town's participation in the North Carolina Local Governmental Employees' Retirement System and the Supplemental Retirement Income Plan of North Carolina see the Notes to the Town's Audited Financial Statements.

Financial statements and required supplementary information for the North Carolina Local Governmental Employees' Retirement System are included in the Comprehensive Annual Financial Report ("CAFR") for the State. Please refer to the State's CAFR for additional information.

The Town also contributes to a Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to both law enforcement officers and general employees of the Town. The supplemental Retirement Income Plan for Law Enforcement Officers and General Employees is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

Other Post-Employment Benefits

The post-employment healthcare benefits are provided through a cost-sharing multiple-employer defined benefit plan administered by the Executive Administrator and the Board of Trustees of the Comprehensive Major Medical Plan (the Plan). The Executive Administrator and the Board of Trustees of the Plan establish premium rates except as may be established by the NC General Assembly in an appropriation act. The Plan's benefit and contribution provisions are established by Chapter 13-7, Article 1 and Chapter 135, Article 3 of the General Statutes and may be amended only by the North Carolina General Assembly. By General Statute, the Plan accumulates contributions from employers and any earnings on those contributions in the Retiree Health Benefit Fund. These assets shall be used to provide health benefits to retired and disabled employees and their ap-

plicable beneficiaries. These contributions are irrevocable. Also by law, these assets are not subject to the claims of creditors of the employers making contributions to the plan.

The State of North Carolina issues a publicly available financial report that includes financial statements and required supplementary information for the State's Major Comprehensive Medical (also, referred to as the State Health Plan). An electronic version of this report is available by accessing the North Carolina Office of the State Controller's internet home page <http://www.ncosc.net/> and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

Litigation

The Town is not aware of any litigation or other contingent liabilities which it expects would materially adversely affect its ability to meet its financial obligations.

CONTINUING DISCLOSURE

In a resolution adopted by the Town, the Town has undertaken, for the benefit of the beneficial owners of the Bonds, to provide to the Municipal Securities Rulemaking Board ("MSRB"), the following:

- (a) by not later than seven months from the end of each fiscal year of the Town beginning with fiscal year ending June 30, 2016, audited financial statements of the Town for such fiscal year, if available, prepared in accordance with Section 159-34 of the General Statutes of North Carolina, as it may be amended from time to time, or any successor statute, or, if such audited financial statements of the Town are not available by seven months from the end of such fiscal year, unaudited financial statements of the Town for such fiscal year to be replaced subsequently by audited financial statements of the Town to be delivered within 15 days after such audited financial statements become available for distribution;
- (b) by not later than seven months from the end of each fiscal year of the Town beginning with fiscal year ending June 30, 2016, (i) the financial and statistical data as of a date not earlier than the end of the preceding fiscal year for the type of information included under heading "Debt Information" and "Tax Information" in this Official Statement (excluding any information on overlapping units) and (ii) the combined budget of the Town for the current fiscal year, to the extent such items are not included in the audited financial statements referred to in (a) above;
- (c) in a timely manner, not in excess of ten business days after the occurrence of the event, notice of any of the following events with respect to the Bonds:
 - (1) principal and interest payment delinquencies;
 - (2) non-payment related defaults, if material;
 - (3) unscheduled draws on debt service reserves reflecting financial difficulties;
 - (4) unscheduled draws on credit enhancements reflecting financial difficulties;
 - (5) substitution of credit or liquidity providers, or their failure to perform;
 - (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

- (7) modification to rights of the beneficial owners of the Bonds; if material;
 - (8) Bond calls, if material, and tender offers;
 - (9) defeasance of any of the Bonds;
 - (10) release, substitution or sale of any property securing repayment of the Bonds, if material;
 - (11) rating changes;
 - (12) bankruptcy, insolvency, receivership or similar proceedings of the Town;
 - (13) the consummation of a merger, consolidation, or acquisition involving the Town or the sale of all or substantially all of the assets of the Town, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
 - (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; and
- (d) in a timely manner, to the MSRB, notice of a failure of the Town to provide required annual financial information described in (a) or (b) above on or before the date specified.

The Town shall provide the documents referred to above to the MSRB in an electronic format as prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB.

The Town may discharge its undertaking described above in any manner that the U.S. Securities and Exchange Commission subsequently authorizes in lieu of the manner described above.

At present, Section 159-34 of the General Statutes of North Carolina requires the Town's financial statements to be prepared in accordance with generally accepted accounting principles and to be audited in accordance with generally accepted auditing standards.

The resolution adopted by the Town also provides that if the Town fails to comply with the undertaking described above, any beneficial owner of the Bonds then outstanding may take action to protect and enforce the rights of all beneficial owners with respect to such undertaking, including an action for specific performance; provided, however, that failure to comply with such undertaking shall not be an event of default and shall not result in any acceleration of payment of the Bonds. All actions shall be instituted, had and maintained in the manner provided in this paragraph for the benefit of all beneficial owners of the Bonds.

Pursuant to such resolution, the Town reserves the right to modify from time to time the information to be provided to the extent necessary or appropriate in the judgment of the Town, provided that:

- (a) any such modification may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Town;
- (b) the information to be provided, as modified, would have complied with the requirements of Rule 15c2-12 issued under the Securities Exchange Act of 1934 ("Rule 15c2-12") as of the date of this Official Statement, after taking into account any amendments or interpretations of Rule 15c2-12, as well as any changes in circumstances; and

- (c) any such modification does not materially impair the interests of the beneficial owners, as determined either by parties unaffiliated with the Town (such as bond counsel), or by the approving vote of the registered owners of a majority in principal amount of the Bonds then outstanding pursuant to the terms of such resolution, as it may be amended from time to time, at the time of the amendment.

Any annual financial information containing modified operating data or financial information is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

The undertaking described above will terminate upon payment, or provision having been made for payment in a manner consistent with Rule 15c2-12, in full of the principal of and interest on all of the Bonds.

During the past five years, the Town has not failed to provide any information required to be provided by any undertaking previously made by the Town pursuant to the requirements of Rule 15c2-12.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters related to the authorization and issuance of the Bonds are subject to the approval of Sands Anderson PC, Raleigh, North Carolina, Bond Counsel for the Town (“Bond Counsel”). Bond Counsel’s approving legal opinion will be provided at the Town’s expense and will be available at the time of the delivery of the Bonds. The proposed form of Bond Counsel’s opinion is attached as Appendix E.

RATINGS

Moody’s Investors Service and Standard & Poor’s Ratings Services have given the Bonds ratings of _____ and _____ respectively. Those ratings reflect only the respective views of such organizations, and an explanation of the significance of such ratings may be obtained only from the respective organization providing such rating. Certain information and materials not included in the Official Statement were furnished to such organizations. There is no assurance that such ratings will remain in effect for any given period of time or that any or all will not be revised downward or withdrawn entirely. Any downward revision or withdrawal of a rating may have an adverse effect on the market prices of the Bonds.

TAX TREATMENT

Opinion of Bond Counsel. In the opinion of bond counsel, under existing law, interest on the Bonds (1) will not be included in gross income for federal income tax purposes, (2) will not be a specific item of tax preference for purposes of the federal alternative minimum income tax imposed on individuals and corporations; however, with respect to corporations (as defined for federal income tax purposes), such interest will be taken into account in determining adjusted current earnings for purposes of computing the alternative minimum income tax on corporations, and (3) will be exempt from existing State of North Carolina income taxes. Bond Counsel will express no other opinion regarding the federal or North Carolina tax consequences of the ownership of or the receipt or accrual of interest on the Bonds.

Bond Counsel will give its opinion in reliance upon certifications by Town representatives and others as to certain facts relevant to the opinion. The Town has covenanted to comply with the provisions of the Internal Revenue Code of 1986, as amended (the “Code”), regarding, among other matters, the use, expenditure and investment of the proceeds derived from the sale of the Bonds and the timely payment to the United States of any arbitrage profit with respect to the Bonds. The Town’s

failure to comply with such covenants could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to date of issuance of the Bonds.

Designation for Purchase by Financial Institutions. The Code generally provides that financial institutions may not deduct any of the interest expense (the “cost of carry”) allocable to tax-exempt obligations acquired after August 7, 1986, except that financial institutions may deduct 80% of the cost of carry allocable to “qualified tax-exempt obligations.” An obligation’s status as a qualified tax-exempt obligation depends, among other things, on (1) an affirmative act of designation by the obligor and (2) the obligor’s compliance with certain restrictions in the Code.

The Town has designated the Bonds as qualified tax-exempt obligations and has covenanted to comply with the applicable restrictions in the Code. In the opinion of Bond Counsel, under existing law, the Bonds will be qualified tax-exempt obligations. Bond Counsel’s opinion in this regard relies upon certifications by Town representatives as to certain facts material to the opinion.

Other Tax Consequences. In addition to the matters addressed above, prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including without limitation, financial institutions, property and casualty insurance companies, certain S corporations, certain foreign corporations subject to the branch profits tax, corporations subject to the environmental tax, recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to the applicability and impact of such consequences.

Interest on the Bonds may or may not be subject to state or local taxation in jurisdictions other than North Carolina. Prospective purchasers of the Bonds should consult their own tax advisors as to the status of interest on the Bonds under the tax laws of any such jurisdiction other than North Carolina.

Discount Bonds and Premium Bonds. _____, as lead underwriter, has advised the Commission that the initial public offering prices of the Bonds maturing on March 1, _____ to _____ inclusive, (the “Discount Bonds”), are less than the respective amounts payable at maturity. An amount not less than the difference between the initial public offering prices of the Discount Bonds and the amounts payable at maturity constitutes original issue discount (“OID”). Owners of Discount Bonds should consult their own tax advisors as to the determination for federal tax purposes of the amount of OID properly accruing each year with respect to the Discount Bonds and as to federal tax consequences and the treatment of OID for State of North Carolina and local tax purposes.

_____, as lead underwriter, has also advised the Commission that the initial public offering prices of the Bonds maturing on March 1, _____ to _____, inclusive, (the “Premium Bonds”), are greater than the amounts payable at maturity. The difference between the amount payable at maturity of the Premium Bonds and the tax basis of the Premium Bonds to a purchaser (other than a purchaser who holds Premium Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) who purchases the Premium Bonds at the initial offering price is “Bond Premium.” Bond Premium is amortized over the term of the Premium Bonds for federal income tax purposes. Owners of the Premium Bonds are required to decrease their adjusted basis in the Premium Bonds by the amount of amortizable Bond Premium attributable to each taxable year the Premium Bonds are held. Owners of the Premium Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the treatment of Bond Premium upon the sale or other disposition of the Premium Bonds and with respect to State of North Carolina and local tax consequences of owning and disposing of the Premium Bonds.

Bond Counsel’s opinion will not expressly pass on the status of any amounts as either Original Issue Discount or Bond Premium.

FINANCIAL ADVISOR

First Tryon Advisors, Charlotte, North Carolina, has acted as financial advisor to the Town in connection with the issuance of the Bonds.

UNDERWRITING

The underwriters for the Bonds are _____

The underwriters have jointly and severally agreed, subject to certain conditions, to purchase all but not less than all of the Bonds. If all of the Bonds are sold at the public offering yields hereinabove set forth, the underwriters anticipate total selling compensation of _____.* The public offering prices or yields of the Bonds may be changed from time to time by the underwriters.

*Information provided by underwriters.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact.

References herein to the State Constitution and legislative enactments are only brief outlines of certain provisions thereof and do not purport to summarize or describe all provisions thereof.

The execution of this Official Statement has been duly authorized by the Local Government Commission of North Carolina and the Town Council of the Town.

**LOCAL GOVERNMENT COMMISSION
OF NORTH CAROLINA**

By

Greg C. Gaskins
Secretary of the Commission

TOWN OF BLOWING ROCK, NORTH CAROLINA

By

J. B. Lawrence
Mayor

By

Scott Fogleman
Town Manager

By

Nicole M. Norman
Finance Officer